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TAGS PREL, PTER, EFIN, AF, PK, SA
SUBJECT: SAUDI INTERIOR MINISTRY BRIEFS SPECIAL ADVISOR
HOLBROOKE AND TREASURY DAS GLASER ON TERRORISM FINANCE

REF: RIYADH 702

Classified By: CDA DAVID RUNDELL, 1.4 (b), (d)

¶1. Key points:

-- (SBU) Special Advisor Ambassador Richard Holbrooke and Treasury DAS Glaser were briefed on Saudi terror finance efforts at a May 16 meeting with Interior Ministry (MOI) officials at the Security Forces Officers Club in Riyadh. Holbrooke also received a briefing on Saudi counterterrorism strategies (reftel).

-- (SBU) Saudi Arabia will join the Egmont Group by the end of May 2009.

-- (C) Holbrooke pushed for stronger cooperation in pursuing sources of funding for the Taliban, particularly in the Gulf States.

-- (C) The Hajj is still a major security loophole for the Saudis, since pilgrims often travel with large amounts of cash and the Saudis cannot refuse them entry into Saudi Arabia. A new Saudi law requires arriving travelers to declare cash over certain amounts.

-- (C) The MOI is concerned about funds flowing to Hizballah from the Saudi Shi'a community.

-- (C) The political situation in Pakistan affects MOI's intelligence cooperation with Pakistan's ISI.

New saudi fiu promises better cooperation

¶2. (C) The briefing was delivered by officials from the MOI's new Financial Intelligence Unit (FIU). They said the Saudi FIU's mission is to cooperate with all other authorities to combat money laundering and terrorism finance, and outlined the divisions of FIU and their responsibilities to receive, analyze, investigate, and act upon reports of terrorist finance activities in concert with other Saudi financial and law enforcement agencies. The FIU had a budget of \$31 million in 2008.

¶3. (C) Holbrooke asked how the U.S. was working with the new FIU. DAS Glaser said FIU cooperation will enable Saudi Arabia to plug into the global terror finance context. The U.S. has tested the Saudi system with three requests and has received a good response. Glaser added that Saudi success in rolling up domestic terror cells has had a positive impact but the need now was to target financial donors and networks that channel the funds to AQ and the Taliban. The daily work of exchanging information with Saudi Arabia was going well.

¶4. (C) Holbrooke asked whether the relationship could be further improved. The Saudis replied that Saudi Arabia would join the Egmont Group by the end of May 2009. Holbrooke said terrorists exploit the seams between countries such as borders, free trade zones, and international networks such as Hawala systems, and that in this respect drug proceeds were not the primary source of funds for the Taliban; rather private donations from the Gulf were the chief source of Taliban financing. This indicated the need for a new level of cooperation, he said, to address funds flowing from the Gulf to the Taliban, AQ, and South Asian terrorist groups. In particular, the UAE, Pakistan, and the UK must be on board.

¶5. (C) MOI counterterrorism advisor xxxxxxxxxxxx said Saudi Arabia was working to create a

"coherent plan" on terrorist finance that included establishing a legal basis for taking action against financiers. The MOI had no problem targeting organizations, he said, but preferred to go after financiers on an individual basis: "the bad apples, not the whole barrel," he said. With the FIU in place, he said, the MOI would be better able to "turn leads into tangible evidence" and follow up with counterpart authorities in other countries. "We used to call Dubai the 'Black Hole,'" of terrorist finance, he said. Glaser agreed with the need for a comprehensive strategy. He said he understood the Saudi approach to focus on individuals rather than organizations, but there was another more common model that focused on organizations as part of a broader terrorist network.

Hajj, hizballah, and pakistan

¶6. (C) MOI Senior Advisor xxxxxxxxxxxxxxx said the Saudi approach was based on the fact that Saudi Arabia had been in a war and had to act. Saudi authorities had detained over 4,000 individuals, some of whom were suspected of terrorist financing offenses and would act if supplied with information. Hajj was still a big problem for the Saudis, since they could not refuse to let pilgrims enter the country. Some of the non-Saudi terrorism detainees in Saudi Arabia had entered as pilgrims. The Saudi government recently passed a law requiring arriving travelers to declare cash above a certain amount, but Hajj was still "a vacuum in our security," he admitted. Another problem was money going to Hizballah from Saudi Shiites. The Saudis' focus had been on funds from Sunni sources, but they needed to focus on the Shi'a too,xxxxxxxxxxxx said.

¶7. (C) Holbrooke noted that Pakistan was also a center for terrorist financing through Islamic charities and asked whether the Saudis were monitoring the large Pakistani community in Saudi Arabia, and whether the Saudis were consulting with the governments of Pakistan, India, and Bangladesh about the issue. xxxxxxxxxxxxxxx said the Saudis had detained numerous individuals from these countries and were seeking cooperation to investigate their activities. He added that "we talk to ISI (Pakistan's intelligence agency) and get a good response, but we think ten times before approaching them; things are changing there and we are advised to be careful." Political unrest and new ISI leadership were the principal changes, he said. As a result, he concluded, "We only trust face-to-face transmission of information." The MOI had shared information with ISI on Pakistanis in Saudi Arabia suspected of terror finance, but ISI had not responded.

Don't forget iran

¶8. (C) Holbrooke asked whether the Taliban still found support in Saudi Arabia. xxxxxxxxxxxxxxx answered that support from Saudi Arabia was less than it had been in earlier years, such as the 1980s, but was still present. Holbrooke asked about Iran, and xxxxxxxxxxxxxxx replied that in the Saudi view, Iran was a "serious contributor" to terrorism activities in many places, including Yemen, North Africa, and Latin America.

¶9. (C) Holbrooke concluded by assuring his hosts of the U.S. commitment to cooperation on fighting terrorism and for better relations with the Muslim world.

¶10. (U) Meeting participants

U.s.

Special Advisor Ambassador Richard Holbrooke
Barnett Rubin, Senior Advisor
Dan Glaser, Deputy Assistant Secretary of the Treasury
David Rundell, Charge d'Affaires
Andrew Roth, Embassy Riyadh
Edwin Brown, Embassy Riyadh (notetaker)

Jeff Smith, Embassy Riyadh

Saudi Arabia

xxxxxxxxxxxxx, Ministry of
the Interior

Major General xxxxxxxxxxxxx,
xxxxxxxxxxxxx
Ministry of the Interior

xxxxxxxxxxxxx, Ministry of
the
Interior

xxxxxxxxxxxxx
FIU briefers

¶11. (U) Amb. Holbrooke cleared this telegram.

Rundell